

## Message Text

LIMITED OFFICIAL USE

PAGE 01 LONDON 11781 01 OF 02 181701Z  
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 AID-05 CIAE-00 COME-00  
EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00  
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01  
NSC-05 SS-15 STR-04 CEA-01 /081 W  
-----102095 181740Z /47

P 181619Z JUL 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 6209

INFO AMEMBASSY BONN PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY DUBLIN PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY LUXEMBOURG PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY ROME PRIORITY

USMISSION NATO PRIORITY

AMCONSUL BELFAST

AMCONSUL EDINBURGH

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 11781

USEEC ALSO FOR EMBASSY

USOECN ALSO FOR EMBASSY

DEPARTMENT PASS LABOR, TREASURY AND FRB

E.O. 11652: N/A

TAGS: PGOV, PING, ELAB, UK

SUBJECT: POLITICAL REACTION TO CHANCELLOR'S STATEMENT

REF: LONDON 11717

SUMMARY - CHANCELLOR HEALEY'S JULY 15 STATEMENT ON WAGES

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 11781 01 OF 02 181701Z

POLICY WAS GENERALLY WELL RECEIVED IN PARLIAMENT -- EVEN  
THE CONSERVATIVES COULD FIND LITTLE TO CRITICIZE -- AND  
SHOULD BE APPROVED IN COMMONS JULY 20 BY A COMFORTABLE  
MARGIN. AN EARLY OPINION POLL SHOWED THAT 54 PERCENT OF  
THE PUBLIC FELT THE PROPOSED 10 PERCENT PAY LIMIT IS  
"ABOUT RIGHT". MEDIA TREATMENT OF THE CHANCELLOR'S  
STATEMENT HAS GENERALLY BEEN BALANCED, WHILE EXPRESSING

CONCERN ABOUT THE GOVERNMENT'S WILL TO ENFORCE THE PROPOSED LIMITS. ALTHOUGH THE GOVERNMENT HAS NOT MADE THE TEXT OF ITS MOTION APPROVING THE POLICY ANNOUNCED BY HEALEY KNOWN, WE BELIEVE IT WILL BE PASSED BY A SUBSTANTIAL MAJORITY IN WEDNESDAY EVENING'S VOTE. FROM THAT POINT FORWARD, THE GOVERNMENT IS NOT EXPECTED TO FACE A PARLIAMENTARY THREAT TO ITS FUTURE BEFORE NOVEMBER. BY WHICH TIME THE SHAPE OF INDUSTRIAL AND PUBLIC SECTOR SETTLEMENTS WILL HAVE EMERGED. END SUMMARY.

1. CHANCELLOR HEALEY'S JULY 15 WAGE POLICY STATEMENT (REFTEL) TO THE HOUSE OF COMMONS WAS WELL RECEIVED WITHIN THE PARLIAMENTARY LABOR PARTY (PLP). LABOR BACKBENCHERS WITH WHOM WE HAVE SPOKEN GENERALLY BELIEVE THE GOVERNMENT STRUCK THE RIGHT BALANCE BETWEEN THE NEED FOR TOUGH GUIDELINES ON THE ONE HAND AND THE NEED FOR FLEXIBILITY ON THE OTHER. LABOR RIGHT-WINGERS HAVE PRIVATELY VOICED SOME CONCERN OVER THE GOVERNMENT'S RESOLVE TO HOLD THE LINE ON THE PUBLIC SECTOR SETTLEMENTS AND ON THE MONEY SUPPLY, ESPECIALLY WHEN IT COMES TO STRONG UNIONS LIKE THE MINERS AND TRANSPORT WORKERS. THEY ACKNOWLEDGE, HOWEVER, THE CASE FOR SOME FLEXIBILITY. LEFT-WINGERS, WHO WERE GENERALLY SATISFIED WITH THE REFLATIONARY ASPECTS OF HEALEY'S MESSAGE, PRIVATELY EXPRESS THEIR CONCERN THAT THE GOVERNMENT MAY IN PRACTICE PROVE TOO INFLEXIBLE, ESPECIALLY IN DEALING WITH THE WEAKER PUBLIC LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 11781 01 OF 02 181701Z

SECTOR UNIONS.

2. THE LIBERAL PARTY REACTION HAS BEEN MUTED, IN PART BECAUSE LIBERAL MPS WILL BE MEETING JULY 18 TO DETERMINE THEIR POSITION ON THE VOTE WHICH WILL FOLLOW THE JULY 20 DEBATE OF THE GOVERNMENT'S POLICY. THE PRESS, HOWEVER, REPORTS THAT THE LIBERALS ARE SUPPRESSING WHAT-EVER DOUBTS THEY MAY HAVE ABOUT THE POLICY AND THE GOVERNMENT'S ABILITY TO MAKE IT STICK, AND ARE IN NO MOOD TO GO BACK ON THE PLEDGE TO SUPPORT THE GOVERNMENT FOR THE BALANCE OF THIS PARLIAMENTARY SESSION. WE HAVE NO REASON TO TAKE ISSUE WITH THE PRESS ASSESSMENT.

3. TORY REACTION TOO HAS BEEN LOW-KEY THUS FAR. SHADOW CHANCELLOR SIR GEOFFREY HOWE'S REPLY TO HEALEY'S STATEMENT WAS BLAND AND INEFFECTUAL, EVEN BY HIS RATHER MODEST STANDARDS. CONSERVATIVE BACKBENCHERS, HOWEVER, CLAIMED THE GOVERNMENT'S FAILURE TO PUBLISH THE PROMISED WHITE PAPER ON WAGES POLICY REVEALED A DEEP SPLIT IN THE CABINET, BELITTLED THE ONE PERCENT GENERAL TAX REDUCTION AND QUESTIONED THE GOVERNMENT'S WILL TO ENFORCE THE BUDGETARY AND MONEY SUPPLY LIMITS ESSENTIAL TO ITS

ECONOMIC STRATEGY. THE PRESS REPORTS THAT MRS. THATCHER HAS DECIDED TO REPLY TO THE PRIME MINISTER DURING THE JULY 20 DEBATE AND SPECULATES THAT SHE WILL FOCUS HER ATTACK ON LABOR'S RECORD RATHER THAN ITS POLICY PROPOSALS.

C  
C

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LONDON 11781 02 OF 02 181714Z  
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 AID-05 CIAE-00 COME-00  
EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00  
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01  
NSC-05 SS-15 STR-04 CEA-01 /081 W  
-----102291 181739Z /47

P 181619Z JUL 77

FM AMEMBASSY LONDON  
TO SECSTATE WASHDC PRIORITY 6210  
INFO AMEMBASSY BONN PRIORITY  
AMEMBASSY BRUSSELS PRIORITY  
AMEMBASSY COPENHAGEN PRIORITY  
AMEMBASSY DUBLIN PRIORITY  
AMEMBASSY THE HAGUE PRIORITY  
AMEMBASSY LUXEMBOURG PRIORITY  
AMEMBASSY PARIS PRIORITY  
AMEMBASSY ROME PRIORITY  
USMISSION NATO PRIORITY  
AMCONSUL BELFAST  
AMCONSUL EDINBURGH

LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 11781

4. THE MEDIA, ON THE WHOLE, HAVE GIVEN THE CHANCELLOR'S STATEMENT BALANCED, IF NOT UNCRITICAL, PLAY, STRESSING THE IMPORTANCE OF ITS POLITICAL WILL AND OF TRADE UNION MODERATION. THEY HAVE NOT BEEN BULLISH ABOUT THE PROSPECTS ON EITHER COUNT.

5. INITIAL PUBLIC REACTION TO THE GOVERNMENT'S POLICY,

AS MEASURED BY AN ORC POLL, HAS BEEN FAVORABLE: 54  
PERCENT OF THE RESPONDENTS FELT THAT THE 10 PERCENT LIMIT  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 11781 02 OF 02 181714Z

IS "ABOUT RIGHT"; WHILE 29 PERCENT THOUGHT IT "TOO LOW"  
AND 17 PERCENT "TOO HIGH". A SIZABLE MINORITY (42 PER-  
CENT) THOUGHT THE GUIDELINES SHOULD BE MADE COMPULSORY,  
AND AN OVERWHELMING MAJORITY (79 PERCENT) THOUGHT  
EMPLOYERS SHOULD HOLD TO THE GUIDELINES EVEN IN THE FACE  
OF STRIKE.

6. COMMENT: NEITHER THE TEXT NOR THE SUBSTANCE OF THE  
GOVERNMENT'S MOTION ON WAGE POLICY HAVE AS YET BEEN  
MADE PUBLIC. IT WILL PROBABLY DECIDE TO PUT FORWARD  
A MOTION EXPRESSING COMMONS' APPROVAL OF THE CHANCELLOR'S  
STATEMENT, BUT MAY TAKE THE SOFT OPTION OF A MOTION  
"TAKING NOTE" OF THE STATEMENT. THE LATTER COURSE,  
HOWEVER, MIGHT PRECIPITATE A "REASONED" CONSERVATIVE  
AMENDMENT WHICH COULD CONFUSE THE PARLIAMENTARY SITUA-  
TION. IN ANY EVENT, WE DO NOT BELIEVE THE GOVERNMENT  
WILL LOSE THE VOTE ON THIS ISSUE. EVEN IF THE TORIES  
VOTE AGAINST THE GOVERNMENT, WE CALCULATE THAT THE  
MOTION WILL CARRY BY A MINIMUM OF 30 VOTES, AS MOST OF  
THE ULSTER UNIONISTS ARE EXPECTED TO SUPPORT THE GOVERN-  
MENT (SEE SEPTTEL), AS ARE THE LIBERALS.

7. WITH WEDNESDAY'S VOTE BEHIND HIM, CALLAGHAN CAN LOOK  
FORWARD TO A FOUR-MONTH HIATUS IN PARLIAMENTARY WARFARE  
AND, HENCE, IMMEDIATE THREATS TO HIS GOVERNMENT.  
PARLIAMENT WILL RISE JULY 28 OR 29 AND IS NOT EXPECTED  
TO SIT AGAIN UNTIL THE NEXT SESSION BEGINS IN NOVEMBER  
(AN OCTOBER "SPILLOVER" SESSION CURRENTLY SEEMS UN-  
LIKELY). BY THAT TIME THERE WILL HAVE BEEN A NUMBER OF  
WAGE SETTLEMENTS IN BOTH THE PRIVATE AND PUBLIC SECTORS  
-- E.G. FORD, CLOTHING WORKERS, DOCKWORKERS, POLICE,  
UNIVERSITY TEACHERS AND STAFF -- AND THE SHAPE OF BAR-  
GAINING TRENDS WILL BE APPARENT. THE FUTURE PARLIA-  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 11781 02 OF 02 181714Z

MENTARY OUTLOOK SHOULD ALSO BE DISCERNIBLE.

BREWSTER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PARTY LINE, GOVERNMENT REACTIONS, FINANCIAL PROGRAMS, PUBLIC OPINION POLLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 18-Jul-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977LONDON11781  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770256-0040  
**Format:** TEL  
**From:** LONDON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770748/aaaabowa.tel  
**Line Count:** 220  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 7b911d68-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 LONDON 11717  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 03-Mar-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1831357  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** POLITICAL REACTION TO CHANCELLOR'S STATEMENT  
**TAGS:** PGOV, PINT, ELAB, UK, (HEALEY, DENIS)  
**To:** STATE USEEC MULTIPLE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/7b911d68-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009